

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2013

Docket No. ACR2013

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 1-3, 5-10 AND 12 OF CHAIRMAN'S INFORMATION REQUEST NO. 1

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 1, issued on January 3, 2014. Each question is stated verbatim and followed by the response. The responses to Questions 4 and 11 are still being prepared.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. Please provide the spreadsheets which calculate the workyears and the workyear conversion factors found in USPS-FY13-7 Part 8, Productive Hourly Rates. Identify all data sources and include all data used to compute the workyears and conversion factors.

RESPONSE:

The requested spreadsheets are filed in ChIR.1.Q.1.Productive Hourly Rates.zip in USPS-FY13-43.

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2. Please provide the data source used to calculate the workhours by function as shown in the FY 2013 Form 10-K statement at page 30.

RESPONSE:

The table in the Form 10-K was prepared based on the National Workhour Report for the Fiscal Year Ended September 30, 2013. This report includes workhours for the pay periods (PP) FY 2012, PP21 to FY 2013, PP20. This report shows workhours by Labor Distribution Code (LDC). The primary source of information for the National Workhour Report is the payroll system. The functional groupings for the workhours are defined as follows:

City Delivery - includes workhours for Supervision, City Carriers Letter Routes and Collections Routes, and Training (or in other words, all Function 2 workhours and related training except Rural Carriers hours)

Mail Processing – includes all Function 1 workhours and related training, including Supervision, Clerks, Mail Handlers and Training at Function 1 Facilities

Rural Delivery - includes all Rural Carrier work hours.

Customer Service Operations - includes all Function 4 hours and related training, including processing, window service, administrative and Computerized Forwarding Systems, and training.

Postmasters – includes all Postmasters workhours.

Other - includes all other work hours not included in the above categories.

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3. Please refer to Library Reference USPS-FY13-33, Excel file PostOfficesFY2013.xls, worksheet labeled 'Post Offices'. In an Excel spreadsheet, please provide the following information concerning the individual offices closed during the fiscal year as shown in Column (E):
 - a. Office Name;
 - b. Location (Area, City and State);
 - c. 5-Digit ZIP Code;
 - d. Finance Number;
 - e. EAS Level or POSTPlan designation; and
 - f. Effective Date of Closure.

RESPONSE:

The requested spreadsheets are filed in USPS-FY13-43.

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5. Please provide an update for FY 2013 of the table entitled, "Retail Revenue by Channel" as shown in response to CHIR No. 2, question 5 in Docket No. ACR2012.

RESPONSE:

Channel	FY2013 Revenue	Share of Total Retail Revenue	Change from FY2012
Post Offices	\$10,723,476,776	58.8%	0.020%
PC Postage	\$4,322,387,606	23.7%	19.9%
Stamps Only Sales by Retail Partners	\$1,166,816,458	6.4%	-4.9%
Automated Postal Centers (kiosks)	\$457,590,309	2.5%	-8.0%
Stamps by Mail/Phone/Fax	\$544,912,342	3.0%	5.5%
Contract Postal Units	\$350,114,187	1.9%	-1.3%
Click-N-Ship	\$524,814,101	2.9%	8.4%
Other	\$133,310,652	0.7%	12.0%
Total Retail Revenue	\$18,223,422,431	100.0%	4.1%

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6. Please provide a copy of the Collection Point Management System (CPMS) database as of the end of FY 2013.

RESPONSE:

The requested database is filed in USPS-FY13-4 3.

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7. Please provide a spreadsheet containing data updated to the end of FY 2013 regarding Offices under Suspension, containing the same data fields that were shown in Docket No. ACR2012 Library Reference USPS-FY12-46.

RESPONSE:

The requested spreadsheets are filed in USPS-FY13-43.

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8. During FY 2013, how many Automated Postal Centers (APCs) were added?
Please describe any formal plan(s) for the addition of more APCs during FY2014.

RESPONSE:

In FY2013, 264 kiosks were added at 132 locations. To date in FY2014, 84 kiosks have been added at 42 locations. Currently, there are no plans for further additions this year.

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9. Please provide the CAG designation for each POStPlan office shown in the Excel spreadsheet 'Summary_Updated'.xls filed in Docket No. N2012-2, Library Reference USPS-LR-N2012-2/11, (July 19, 2012).

RESPONSE:

The requested spreadsheets are filed in USPS-FY13-43.

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10. Please provide an update of Library Reference USPS-LR-N2012—2/NP1, Walk-in Revenue Data, for each POStPlan office for FY 2013.

RESPONSE:

The requested update is provided under seal in USPS-FY13-NP28.

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12. Please reconcile the volume and revenue figures in the following table for Alaska Bypass and Parcel Post (pre-1/27/13 transfer to competitive products).

(Millions)

	Alaska Bypass		Parcel Post (pre-1/27/13)	
	Volume	Revenue	Volume	Revenue
Billing Determinants	880.704	21.521	28,254.408	307.531
CRA	879.067	21.481	28,669.948	317.593
RPW	1,294.607	31.539	28,254.408	307.481

RESPONSE:

Before attempting to reconcile these numbers in this table, it may be helpful to point out that the parenthetical “(Millions)” at the top of the table in the question should be “(Thousands)” when applied to the Volume column, and to review the Commission’s statements reproduced below from page 130 in the FY2012 ACD:

The Single-Piece Parcel Post product was eliminated from this class effective January 27, 2013. As a result of the recent transfer, the Commission directs the Postal Service to report FY 2013 revenue, volume, and attributable costs data for Single-Piece Parcel Post for the period of October 1, 2012 to January 26, 2013 in its FY 2013 ACR. Similarly, the Commission directs the Postal Service to report revenue, volume, and attributable cost data for the Alaska Bypass Service product for the period of January 27, 2013 to September 30, 2013 in its FY 2013 ACR.

From the above passage of the ACD, it appears that the Commission intended the Postal Service to report Alaska Bypass from January 27, 2013 through September 30, 2013, and Parcel Post (including Alaska Bypass) from October 1, 2012 through January 26, 2013. That is actually what the Postal Service attempted to do with the Billing

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Determinants and the CRA in the FY2013 ACR. Moreover, while there is a slight discrepancy between the volume and revenue numbers in the CRA and those in the Billing Determinants, that discrepancy is not material, and can be explained.

What makes it appear that there might be larger and material discrepancies between the various sources, though, has much less to do with the underlying data, and much more to do with the manner in which data were extracted and presented for purposes of this question. In reality, of the three sources cited (Billing Determinants, CRA, and RPW), only the CRA and the Billing Determinants actually present information in the format shown in the question. The RPW, on the other hand, at least in term of the summary RPW data presented in USPS-FY13-42, does not even purport to provide data broken out between these two products. Therefore, it is unclear what the source is for the data presented in the question in the RPW row, although one can surmise that the source of some of the information might be data referred to as RPW data that are presented within the Billing Determinants files. With respect to the Billing Determinants data themselves, the row labelled as "Billing Determinants" in the question does not accurately reflect the Billing Determinants data presented in USPS-FY13-4. Therefore, the first step in responding is to revise the table in the question to portray correctly the actual data presented in the various sources.

(Thousands)

	Alaska Bypass (post-1/27/13)		Parcel Post (pre-1/27/13)		FY13 Aggregate	
	Volume	Revenue	Volume	Revenue	Volume	Revenue
Billing Determinants	880.704	21,521	28,668.310	317,553	29,549,015	339,075
CRA	879.067	21,481	28,669.948	317,593	29,549,015	339,075
RPW					29,549,015	339,075

Starting from the bottom up, the sources for these figures are as follows. The RPW volume and revenue data come from cells L51 and D51 (for the aggregate Parcel

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Post/Alaska Bypass category) on page 1 of the FY13 Summary Report file in USPS-FY13-42. The CRA data (the same as in the question, except with the revenue units conformed to "thousands" and an aggregate category added which sums the figures shown in the respective product columns) come from Cells D44 and D45 of the Cost1 tab, and cells D44 and D45 of the Volume1 tab in USPS-FY13-1. For the Billing Determinants, the Alaska Bypass volumes and revenues (the same as in the question, except with revenue units conformed to "thousands") come from Cells G11 and M11 of the Tab "FY2013 Alaska Bypass BD" in the Alaska Bypass file, and the Parcel Post volumes and revenues come from Cells F16 and E16 of Tab "Revenue Adjustment Factor FY13" in the Parcel Post file (both files are in USPS-FY13-4). The Aggregate column in the Billing Determinants row sums the figures shown in the respective product columns in the same row.

In the RPW row in the table in the question, RPW revenues and volumes for Alaska Bypass are presented that are approximately \$10 million and 400,000 pieces higher than what the Postal Service filed for Alaska Bypass in the CRA and Billing Determinants. This is because the RPW row in the table in the question shows the full year of Alaska Bypass revenues and volumes, instead of the revenues and volumes for Alaska Bypass after January 27, 2013 that the Commission ordered the Postal Service to report. The source of these full-year Alaska Bypass numbers is unclear, as the RPW data provided in the ACR (USPS-FY13-42) do not follow this format. The Postal Service presented combined Parcel Post and Alaska Bypass revenues and volumes in Q1-Q2 in the RPW folder (USPS-FY13-42), and Alaska Bypass revenues and volumes only in Q3 and Q4. The RPW reports provided in USPS-FY13-42 did not separate out Alaska Bypass from Parcel Post in Q1 and Q2 RPW. Although the \$31.539 million revenue and 1,249,607 volume numbers presented in the RWP row in the question are the correct Alaska Bypass revenues and volumes over all four quarters, the source of these numbers is unclear, as these numbers do not appear in the 2013 RPW filed in the FY2013 ACR in USPS-FY13-42. In the revised table shown above presenting actual RPW aggregate data for FY13 as found in USPS-FY13-42, the aggregate RPW data

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match the aggregate CRA and Billing Determinant data, and there is thus nothing to reconcile.

Reconciling the CRA and Billing Determinants Alaska Bypass numbers is a bit trickier. Both the CRA and Billing Determinants used the same revenues and volumes for Q3 and Q4 -- \$15,929,438 and 650,913 pieces respectively. For Q2, the full quarter Alaska Bypass revenue and volumes were \$7,807,424 and 320,841 pieces. Both the CRA and the Billing Determinants start with the same Q2 totals, but use different methods for splitting the Q2 totals between the period before January 27th and the period after January 27th. The CRA used the proportion of total calendar days (26/90) in the quarter before the split date, and the Billing Determinants using the proportion of delivery days in the quarter (21/74) before the split date. The CRA thus split the Q2 totals to calculate the revenue and volumes after January 27, 2013 by multiplying them by 64/90. As a result, the CRA added \$5,551,945 and 228,154 pieces to the above Q3-Q4 totals, resulting in the \$21,481,384 and 879,067 pieces reported in the CRA for Alaska Bypass. Because the Billing Determinants multiplied the Q2 total revenue and volumes by 53/74 (the delivery days) instead of 64/90 (total days), the Billing Determinants adds different Q2 splits to the Q3-Q4 revenues and pieces, with a result for the entire post-January 27th period of \$21,521,242 and 880,704 pieces.

Therefore, because of different methods of splitting the Q2 data before and after the implementation date of the classification change, the CRA and the Billing Determinants report slightly different volume and revenue. Neither method is particularly superior on a conceptual basis, but since the CRA uses the same approach (proportion of calendar days) to apportion costs between the two products as used to apportion volumes and revenues, if the difference were material, one would probably prefer to use the CRA approach when, for example, computing product cost coverages. Since the differences are not material (e.g., less than \$40 thousand in revenue), it actually is of little consequence which method is employed. Perhaps more to the point, since this matter

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is entirely a transitional issue that arose once in the implementation quarter and then disappears, the slight difference has no lasting significance.

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